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TAGS: [ECPS](#) [PGOV](#) [ETRD](#) [HO](#)
SUBJECT: TELECOM REFORM FALLS VICTIM TO ELECTORAL POLITICS

Classified By: ADCM Andrea Brouillette-Rodriguez, E.O. 12958 reasons 1.
4(b) and (d)

11. (C) Summary: The long-awaited Honduran telcom reform bill resurfaced last week in Congress for the first time since February. Congressional leaders are promising the current draft will be put up for a second debate this week, but none except the President of Congress seem to know which version of the bill will be discussed. The first - signed in December - contains multiple provisions aimed at protecting corrupt state-run telecom company Hondutel, and the second - signed in January - contains carefully negotiated provisions which we see as more consistent with CAFTA commitments. Embassy believes the law, if passed in the coming weeks, is more likely to be the "Hondutel Protection Law" than the more liberal version we have worked so hard to promote. We suspect the electoral alliance among Congressional leader Roberto Micheletti, media mogul Jaime Rosenthal and Conatel Commissioner Rasel Tome is responsible for these latest legislative maneuvers. End Summary.

12. (C) Congressional Telecommunications committee Chair Elvia Argentina Valle has announced several times in the past few days that the telecom reform bill will be put up for second debate within the week (bills are supposed to be debated three times before they may be adopted, although in practice Congress sometimes waives the third, or even the second, reading). There are two known versions of the bill in circulation - the first, which was signed by Congress in December, contains provisions touted by political forces as necessary to protect corrupt state-run telecommunications company Hondutel, and avoid opening the market. The second, which was drafted and negotiated carefully by a USAID-funded telecom consultant, is more consistent with CAFTA transparency and market-opening obligations. Though the first debate of the more liberal draft took place in February, well-connected political and business leaders learned shortly thereafter that Valle intended to replace that version with the previous "Hondutel Protection Bill" at the instruction of Rasel Tome, Commissioner of Honduran Telecom regulator Conatel. However, a series of political crises since February have kept Congress from putting the bill up for second debate.

13. (C) Various attempts in the last few months by EconOffs and World Bank rep Dante Mossi to meet with members of Congress and ensure the more liberal version of the bill is discussed have been met with silence or claims of ignorance. This week, Mossi was unable to secure a meeting with the Vice President of Congress, Lizzy Flores, who told him frankly by email that Micheletti was unilaterally setting the legislative agenda. She described the bill as a "state secret" and lamented that Tome, who opposes true market-opening, probably knows more about the law than she does.

¶4. (C) The resurfacing of the Telcom Law comes against the backdrop of the official announcement of Presidential and Congressional electoral slates this week. As expected, Micheletti launched his bid for President and placed Tome on his Congressional list. Tome is not only Conatel commissioner but also the long-time family attorney for media mogul Jaime Rosenthal. Rosenthal owns one of two major cable providers, several television stations and a private phone service. Under Tome's tenure, Conatel has flagrantly ignored supreme court judgments that were unfavorable to Rosenthal, and we believe he has been the key figure that has promoted the "Hondutel Protection Bill." In June Rosenthal's son Yani (former Minister of the Presidency) declared a formal political alliance with Micheletti that included incorporating Tome on his slate of congressional candidates. Tome's resignation letter, tendered July 16, says his exact departure date will be determined by President Zelaya himself, and requests an undefined "transition period" in which Tome can complete pending issues.

¶5. (C) Comment: When announcing the possible re-opening of the telecom debate, Valle announced that the controversial three-cent tax on incoming international calls would be included, a strong indication that the less liberal version will be put forward. End Comment.
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